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SECURITY INFORMATION

US OFFICIALS ONLY

17 July 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SOVIET UNION

1. Ambassador Kennan comments on Soviet policy in Rumania:
Ambassador Kennan, in commenting on the Bucharest assignment of A. I. Lavrentiev, says that Moscow is placing the situation in the hands of its ace troubleshooter for the Satellite area. In the Ambassador's opinion, Rumania's strategic position is the key factor. The Kremlin would like to make the Dobrudja area a direct defensive responsibility of the Soviet army, but leave the Western area a Rumanian responsibility in order to avoid Soviet military contact with the Yugoslavs.

Ambassador Kennan feels that the appointment of Bughici as Rumanian Foreign Minister signifies a virtual Soviet takeover of the Bucharest Foreign Ministry and that Rumania is quietly being changed into a Soviet constituent republic, although for the present without formal incorporation. He notes that Lavrentiev was previously assigned to Rumania in 1940 to arrange for the separation of Bessarabia and Northern Bukovina and their subsequent annexation by the USSR.

The Ambassador concludes by noting that while three Deputy Foreign Ministers have recently left Moscow, only one replacement has been announced. In his opinion this may presage a shake-up in the Ministry of Foreign Affairs in which Vishinsky's position will bear watching. ([REDACTED])

25X1A

2. Local party officials criticize their Republic party secretaries: At the June plenum of the Tadzhik Republic Central Committee, a party secretary of the Stalinabad city committee criticized the secretaries of the central committee of the Communist Party of Tadzhikistan for failure to pay sufficient attention to industrial problems and for "unsatisfactory selection of executive cadres." (U Joint Press Reading Service, Pravda, 18 June 52)

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Comment: There have been other recent instances of the work of secretaries and members of the Buro of the Republic Party organization by officials of lower party units. In the June plenary session of the Belorussian central committee a secretary of the Mogilev city party committee criticized the Belorussian Party Buro for not yet having implemented a 1949 decision of its own. In the June plenary session of the Kirgiz central committee a secretary of the Talas Oblast stated that "responsibility for errors and distortions on the ideological point is borne primarily by the secretaries and the Buro of the central committee of Kirgiz Republic.

This procedure seems to represent a definite pattern of criticism on the Republic level. It may well be that these local party officials were actually selected by representatives of the All-Union Central Committee organs to speak out against their Republic Central Committee.

EASTERN EUROPE

3. Orbit reportedly to dump lumber on European market:
Soviet Orbit lumber and wood products will soon be dumped on the European market, according to persistent rumors in Austrian trade circles. The volume of Austrian lumber exports in the first half of 1952 is running about 10 percent below the same period in 1951. () 25X1A

Comment: It is unlikely that the USSR will undercut world market prices, which are currently about 30 percent below 1951. The Russians have been reluctant to increase timber exports in 1952 trade agreements with western countries unless strategic goods were offered in exchange.

4. Failures charged in mechanization of Hungarian coal mines:
A party-directed campaign to uncover failures in mine mechanization in Hungary has revealed that machines are lying idle or awaiting repair in seven coal mines including the important Tatabanya mines in northwestern Hungary. The directors of two "model" enterprises stated that the machinery was unsuitable because of soil moisture. Mine technical leaders and rightist Social Democrats were charged with causing miners to boycott machinery in one northwestern mine. Much of the machinery is Soviet-made.

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The Soviet delegates to the recent Hungarian miners union congress stated in a recent interview that the mechanical backwardness of Hungarian mining was comparable to that of Russia in the early period of the First Five Year Plan. ([REDACTED])

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25X1A

Comment: These developments indicate increasing concern probably Soviet-inspired, over the failure of the mines to meet coal demands of the Five Year Plan. The widespread disuse of Russian-made machinery implies that it is unsuited for the damp soil conditions prevailing in Hungarian mines.

25X1X

5. 25X1X [REDACTED] desires strategic talks with the United States:

25X1X [REDACTED] that American-Yugoslav conversations on strategic and operational questions were "highly desirable."

25X1X [REDACTED] agreed that Britain and France should be included. He

25X1X added that [REDACTED] government also wished to consider the participation of Greece and Turkey, but he stressed that he did not wish to deal with an "organization." ([REDACTED]) 25X1A

Comment: Yugoslavia has clearly indicated its wishes to avoid direct contact with NATO. This is the first official Yugoslav statement of willingness to engage in talks which presumably will lead to limited joint planning.

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FAR EAST

6. Possible change in Japanese Communist strategy indicated:
The lack of widespread Communist violence in Japan on 15 July, 30th anniversary of the founding of the Japanese Communist Party, supports recent indications of a possible shift in party strategy away from militant tactics, according to CINCFE. These indications include a reported Communist directive to avoid violence on the anniversary day, and a speech by a prominent Communist urging the crowd to refrain from action which might provoke the police.

The authority for this shift, according to CINCFE, may be a message which appeared in the Cominform Journal on 4 July from Kyuchi Tokuda, fugitive JCP leader. The message criticized the party's "struggles by force" and its neglect of such forms of struggle as election campaigns. (S CINCFE Telecon, 16 July 52)

Comment: The publication of Tokuda's message in the Cominform Journal shows Soviet endorsement of a policy emphasizing peaceful activity. This may represent a recognition of the unfavorable consequences to the Japanese Communist Party of the recent disturbances in Japan. Moreover, this development supports previous indications of a possible general shift of emphasis from military to political action by other East Asian Communist movements.

7. Break between Rhee and Home Minister Yi indicated: Home Minister Yi Pom-sok was reportedly given a severe tongue-lashing by President Rhee at the State Council Meeting on 16 July. According to Ambassador Muccio, the President made it plain that he alone is running South Korea. Muccio also reports that, at the same meeting, Rhee made the extraordinary statement that he is no longer leader of the Liberal Party and has no connection with it.

The Ambassador comments that Rhee may be encouraged by his recent victory in the political turmoil and feel safe enough to shake free of dependence on the party which he originally organized with reluctance. Having done so it would be easier 25X1A to disavow and remove Yi from power. ()

Comment: Recent reports from Pusan, perhaps inspired by Yi, have indicated that he might be Rhee's running mate in the coming presidential-vice presidential elections.

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Yi's control of the police, his power in the Liberal Party, and his supporters in the Youth Corps make him the second most powerful South Korean politico.

8. South Korean Government impedes implementation of US-ROK tungsten agreement: Since the signing of the US-ROK tungsten agreement over three months ago, the Korean Government has consistently impeded implementation of this program for increasing the production of tungsten in South Korea and its export to the US. Notwithstanding the fact that South Korea will derive considerable needed foreign exchange from the operation, Rhee, according to the the US Embassy, has hamstrung fulfillment of the agreement by failing to select an American management company which would be mutually acceptable. Such a company, specifically called for in the agreement, is to install machinery, initiate mining operations and train Korean nationals for future operations.

The President, however, now maintains that a management company is not necessary, and he has attempted to replace it with a group of four or five US engineers, headed by a crony of Rhee's.

American observers state that this unauthorized action is undoubtedly motivated by Rhee's desire to avoid any business-like controls, which would be instituted by a management company, in order to siphon off a certain amount of profit for South Korean political "insiders." Meanwhile, it is estimated by US Army authorities that it will take at least a year after the selection of a management company to import and install the necessary equipment to begin the mining operations. (C

25X1A

9. Peiping Radio urges Japanese Communists to be militant: Peiping Radio, commenting on the 30th anniversary of the Japanese Communist Party, asserts that the militant program adopted by the JCP in October 1951 is "the only way out" for the party. (R FBIS [REDACTED] 15 July 52)

25X1A

Comment: This broadcast should be viewed against the background of the current Cominform Journal, in which the fugitive Secretary General of the JCP rebukes the present party leadership for paying "insufficient attention" to political forms of action.

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The apparent conflict between these messages is reflected in several Asian countries. "Armed struggle" is still officially prescribed as the "main form" of Communist action in East Asia. Nevertheless, several Asian Communist movements have shifted their tactics in the past year to emphasize political rather than military forms of action. The shift now extends to all Communist movements in East Asia outside the mainland.

10. Burmese Communist chief reported retreating toward India:
The leader of the Burma Communist Party, Thakin Than Tun, with 300 followers is reliably reported to have crossed the Irrawaddy River about 100 miles southwest of Mandalay in late June. The report states that the Communists have proceeded toward the mountains of western Burma and that if they are blocked in an attempt to escape by turning to the north, they will try to reach Manipur Province in India. If not interned, they will later infiltrate back into Burma. [REDACTED] 25X1A
[REDACTED] 25X1A

Comment: This unconfirmed report indicates that the Burmese Army during the past months has successfully dispersed large concentrations of Communists in their base area of north-central Burma. The reported route of Than Tun's flight suggests an intent to circle around Burmese forces and establish a new Communist base in upper Burma near the China border.

Other reports, however, state that Than Tun fled eastward into the Shan foothills after government forces overran his headquarters in the Pyinmana area in May. Recent Communist raids on towns and communications, in central Burma and elsewhere in the country, are evidence that the party still maintains organized forces.

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WESTERN EUROPE

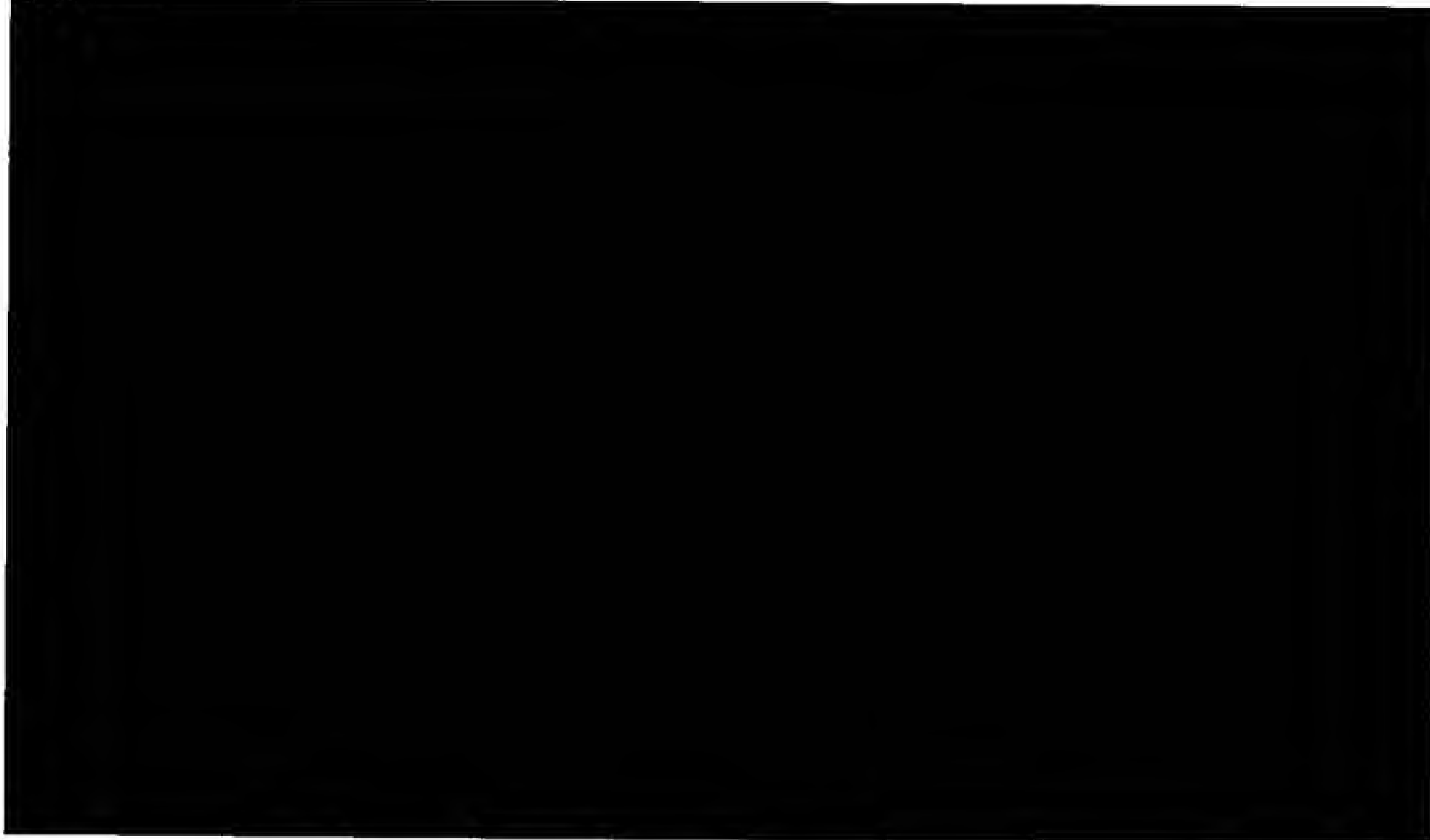
11. Belgrade condemns Italian Trieste appointment: The authoritative Yugoslav news organ, Borba, condemns Rome's appointment of Professor Diego de Castro to the post of political adviser to the Anglo-American Military Government in Trieste. It characterizes the appointment as "one of the grossest anti-Yugoslav provocations" undertaken by Italy. (R FBIS [REDACTED] 15 July 52) 25X1A

Comment: Yugoslav officials associate De Castro with Italian irredentist elements. He is a member of the National Liberation Committee, an organization dedicated to the liberation of Italians residing in Istria. It will doubtless provide a basis for continued Yugoslav intransigence on Trieste.

Rome's appointment of De Castro was leaked through the press before A.M.G. had the opportunity to accept or reject him. Both the British and American Ambassadors informed Premier de Gasperi on 11 July that the appointment of De Castro might prejudice Italian-Yugoslav relations on Trieste. De Gasperi refused to withdraw the nomination.

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25X6

[REDACTED]

25X1X

25X1X

13. 25X1X [REDACTED] makes unusual plea for US aid: [REDACTED] of France has strongly urged that the United States reconsider its decision not to finance French military production to the extent requested by Defense Minister Pleven in May. He twice expressed his personal disappointment to [REDACTED] during the Bastille Day reception. 25X1C

25X1X

25X1X

[REDACTED] notes that [REDACTED] very rarely intervenes in matters of this nature and interprets his action as an indication of the government's "serious concern." [REDACTED] 25X1A
25X1A [REDACTED]

25X1X

Comment: [REDACTED] intervention highlights the French Government's reluctance to publicize its bad budgetary position.

14. Economic Commission for Europe believed hoping to seize initiative on East-West trade: The American delegate to the Economic Commission for Europe believes that Chairman Myrdal of the ECE secretariat may be planning to seize the initiative in East-West trade gained by the Soviet Union as a result of the Moscow Economic Conference. The delegate recommends a firm stand against a proposed September meeting on East-West trade, fearing that such a conference might develop into a series of fruitless meetings. [REDACTED] 25X1A

25X1X

Comment: [REDACTED] in June that it hoped that meetings between Western and Eastern European trade experts might result in intensified bilateral negotiations rather than a general conference on trade. Myrdal holds that the proposed meeting would test the genuineness of Soviet trade offers and would also offset the propaganda benefits of the Moscow Economic Conference.

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FAR EAST

1. Figure for Communist POW's willing to be repatriated revised upwards: UN negotiators at Panmunjom advised the Communists on 13 July that the final screening of all POW's who would resist repatriation had been completed. The new figure is 83,000, broken down into 76,600 Koreans and 6,400 Chinese. [REDACTED]

25X1A

Comment: The previous figure submitted by the UN on the basis of incomplete screening was 70,000. It is not expected, however, that the revised figure will prove any more acceptable to the Communists since the major gain is in the number of Koreans while the principal stumbling block in the negotiations is the future disposition of the Chinese.

WESTERN EUROPE

2. British approval of NATO Southern Europe command reorganization subject to reservations: British approval in the Standing Group of the proposed changes in the ground and air force command structure of Admiral Carney's Southern Europe command under SHAPE is subject to strong reservations by the British Chiefs of Staff. Britain retains the right to review the whole question in the light of future developments, particularly when the settlement of command arrangements in the Middle East and the Mediterranean comes up. The Chiefs of Staff hold that the proposed changes are only a partial solution of the southern flank command problem, and point out that naval command arrangements are still unresolved. [REDACTED]

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